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Intelligence Report

Military Developments in China:
Implications for Defense Policy

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March 1975

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Military Developments in China: Implications for Defense Policy

Principal Conclusions*

Since 1971 and the demise of Defense Minister Lin Piao, several changes in China's defense programs and policies have become evident. These include a substantial slowdown in production and deployment programs for aircraft and surface-to-air missiles; a leveling-off of strategic missile, naval, and ground force weapons procurement; a renewed effort to limit the authority of military leaders in party and government circles; and a reallocation of some resources from defense to civilian industries.

Viewed in retrospect, political, economic, and military factors appear to have prompted Peking to begin a major reassessment of its foreign and military policy about 1969. Internally, the Cultural Revolution had left China with serious unresolved problems. Internationally, the US clearly was developing an entirely new policy for the Far East, which could be expected to include some move toward rapprochement with China. At the same time, the Soviet Union had replaced the US as China's principal threat.

By 1971 China had created a modest nuclear strike force and sizable ground and air forces that appeared sufficient to deter a Soviet attack. Moreover, the developing Sino-US relationship reduced the chances of military moves against China by either the US or the USSR. Thus, the times appeared propitious for a new political-military policy geared to China's perception of a new, less menacing environment in eastern Asia.

This study reviews the implications of the policy changes that the Chinese have been implementing for the past five years, to provide insights into their strategic thinking and discern likely developments in their military forces and programs.

— In China's view, strategic sufficiency can be achieved by a combination of military power and diplomatic maneuvering [redacted]

— Peking evidently presumes that its small nuclear force already constitutes a deterrent to Soviet strategic attack, and expects that China's massive conventional forces will discourage nonnuclear attacks by any nation.

— China will pose no direct military threat to the US at least through this decade.

— China's shift of resources from defense to civilian industries constitutes a long-term commitment that would inhibit the resumption of rapid pro-

* The Defense Intelligence Agency and some analysts in CIA take exception to the conclusions of this report. Their reservations are noted in the Annex.

curement rates if Peking were to perceive renewed military threats.

— Despite cutbacks in arms procurement, China will remain a dominant Asian military power as its forces continue to receive modest increments in equipment.

— China's current policy is founded on the existing power balance and carries an implicit commitment to restraint. Peking's military initiatives probably will continue to be selected judiciously to provide moderate gains at low risk and to avoid a direct challenge to US or Soviet vital interests.

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
March 1975

INTELLIGENCE REPORT

Military Developments in China: Implications for Defense Policy

Introduction

Since 1969 many significant developments--political, economic, military, and diplomatic--have had implications for China's defense policy and the state of its armed forces. Some of the most important of these events are:

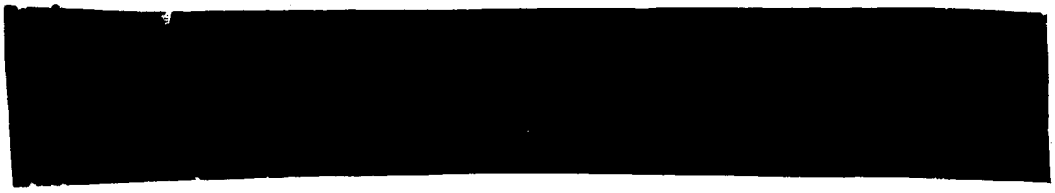
Political

-- Reduction of the involvement of the armed forces in politics and other nonmilitary activities after the Cultural Revolution.

-- The fall of Defense Minister Lin Piao and removal of leading defense officials.

-- The rotation of eight military region commanders and the termination of many of their nonmilitary duties.

-- The appointment of civilian cadres to be army chief of staff and to head the General Political Department.



Economic

-- A reduction in the level of defense procurement; a halt in the growth of most weapon production programs.

-- Emphasis on development of the civilian economy and importation of industrial plants and technology.

Military

-- A recognition of the USSR as the foremost military threat; the shift of more forces toward the northern border in response to the Soviet buildup.

-- A substantial reduction in output of nuclear delivery vehicles despite a buildup in production facilities for nuclear weapon materials.

-- A continuation of weapon research and development generally at a measured, unhurried pace, but no construction starts for long-range missile deployment.

-- An increase of military training within the armed forces after the Cultural Revolution.

Diplomatic

-- A rapid reduction of US forces in Southeast Asia.

-- The promulgation of the Shanghai Communique, and the opening of a new era of Sino-US detente.

-- The seating of China by the UN.

There is little room for argument about the facts of the foregoing events, but the way in which they affect military policy and force capabilities is subject to various interpretations. The thesis of this memorandum is that the Chinese have instituted basic changes in their military policy, which is now notably

different from the policy held through most of the sixties. These changes suggest that China has adopted a less menacing posture toward the US and will be less likely to engage in a rapid buildup of strategic and conventional arms.

An alternative explanation is subscribed to by some analysts in CIA and by DIA. They conclude that China has not made any fundamental changes in its policy but rather is making temporary adjustments in its military programs and that Peking still has strong incentives to continue to develop and produce arms in greater quantities [redacted] Their view is outlined in the Annex.

Contents

Graphs

Signs of Change

Harbingers of a change in status for the Chinese military forces appeared in 1969 as the destructive phase of the Cultural Revolution ended. Cadres of the Peoples Liberation Army (PLA) were admonished to hold correct political views and to shun arrogance. Many were also ordered to relinquish their nonmilitary posts and return to the barracks. Since that time, civilian party leaders have been phasing the PLA out of civil government and politics, and there has been a marked emphasis on professional military matters and training.

Irrespective of the political background to this change, there were, in 1969, compelling military reasons to get the army back to soldiering. The Soviet invasion of Czechoslovakia, the promulgation of the "Brezhnev Doctrine," and the Ussuri River clashes all underscored a growing Soviet threat. Peking accordingly reoriented and enlarged the ground forces in northern China and continued to increase the levels of military production. China's need to respond militarily to the Soviet threat may have come at a fortuitous time for those who were concerned over the growing PLA influence in the political sphere. Whatever the initial motivation, military influence in the party and government was purposefully reduced after 1969 and that practice has continued.

A major turning point appears to have occurred in late 1971, at about the time of the demise of Defense Minister Lin Piao and the purge of his close associates. By that time, the likelihood of a Soviet attack had diminished and heavy expenditures for military programs may have been challenged. Military opposition to a cutback in procurement and resistance by some military elements who were reluctant to see the armed forces lose their preeminence in party and government circles may have helped precipitate the Lin crisis. In retrospect it appears that the decision to put tighter reins on the military may have created conditions permitting a fresh assessment of military programs and policy for the first time in many years.

Slowdown in Weapons Procurement

Basic Chinese military policy at the close of the sixties called for an ever-increasing buildup of conventional and nuclear forces for deterring attack. The Soviet Union and the United States were the main enemies, with the threat from the north daily becoming of increasing concern. Following the Sino-Soviet border clash in 1969 the USSR was identified as the principal enemy, and China's military production effort mounted sharply.

The first firm sign of a fundamental change in this policy of growth became evident in 1972, when overall military procurement, as measured in US dollars, declined by more than 25 percent from that of 1971. Since then, procurement has remained steady at the new lower levels *(See graphs at right.)* The slowdown in weapon programs since 1971 has had these results:

-- Fighter aircraft production has dropped by 75 percent, and the SAM defense network has expanded very slowly.

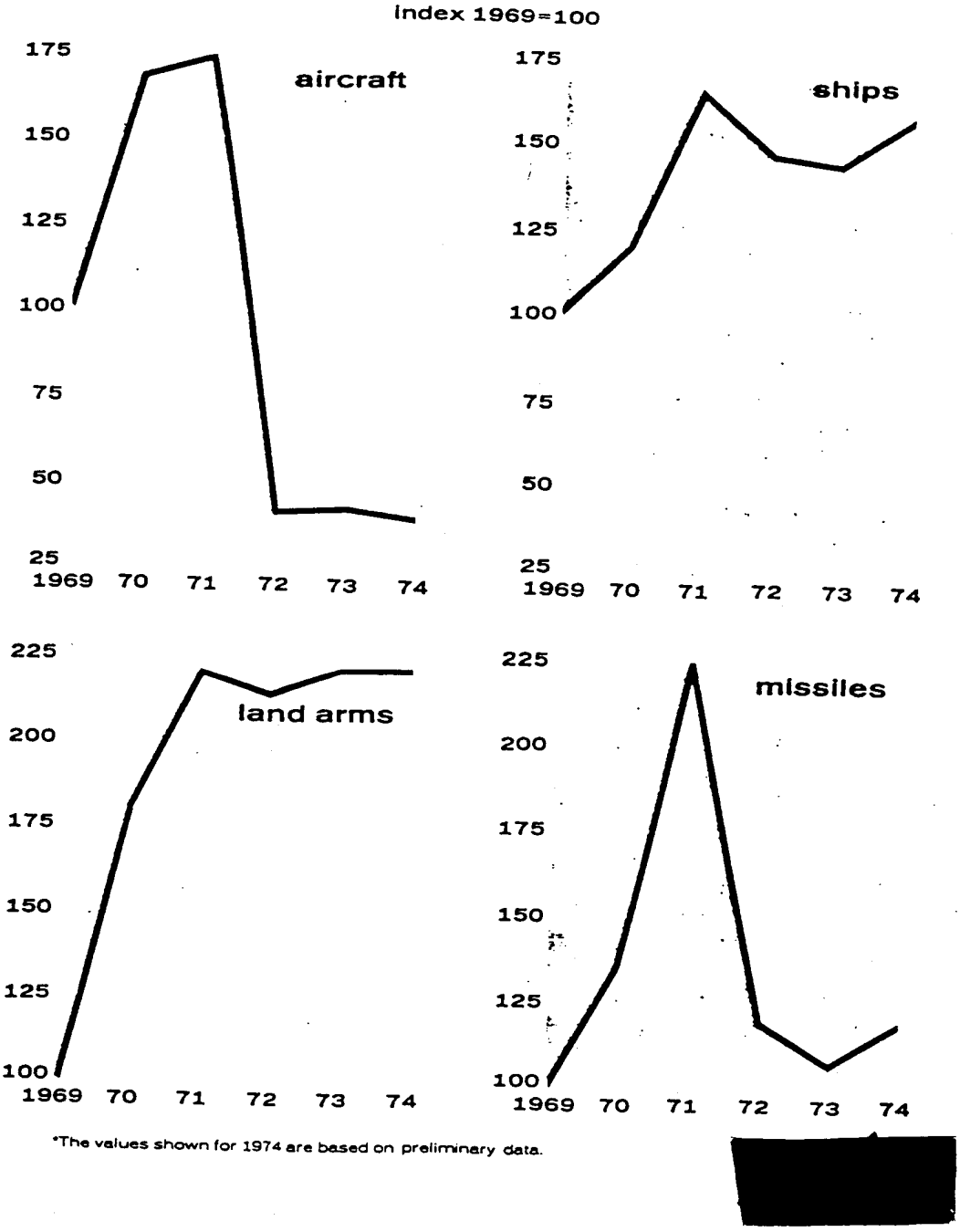
-- Bomber production is very low and may have ceased.

-- Airfield construction starts have dropped sharply from the level that had been maintained over the preceding eight years.

-- No new fixed missile sites are known to have been started (although there may be continuing slow deployment of semimobile launch units).

[redacted]

Estimated costs of Chinese military procurement*



*The values shown for 1974 are based on preliminary data.

[redacted]

-- Procurement for the ground and naval forces has leveled off generally, and some important programs have been stopped or appreciably slowed.

-- Other developmental programs--particularly those for the SSBN, its related missile, and follow-on fighter aircraft--appear to have slowed appreciably.

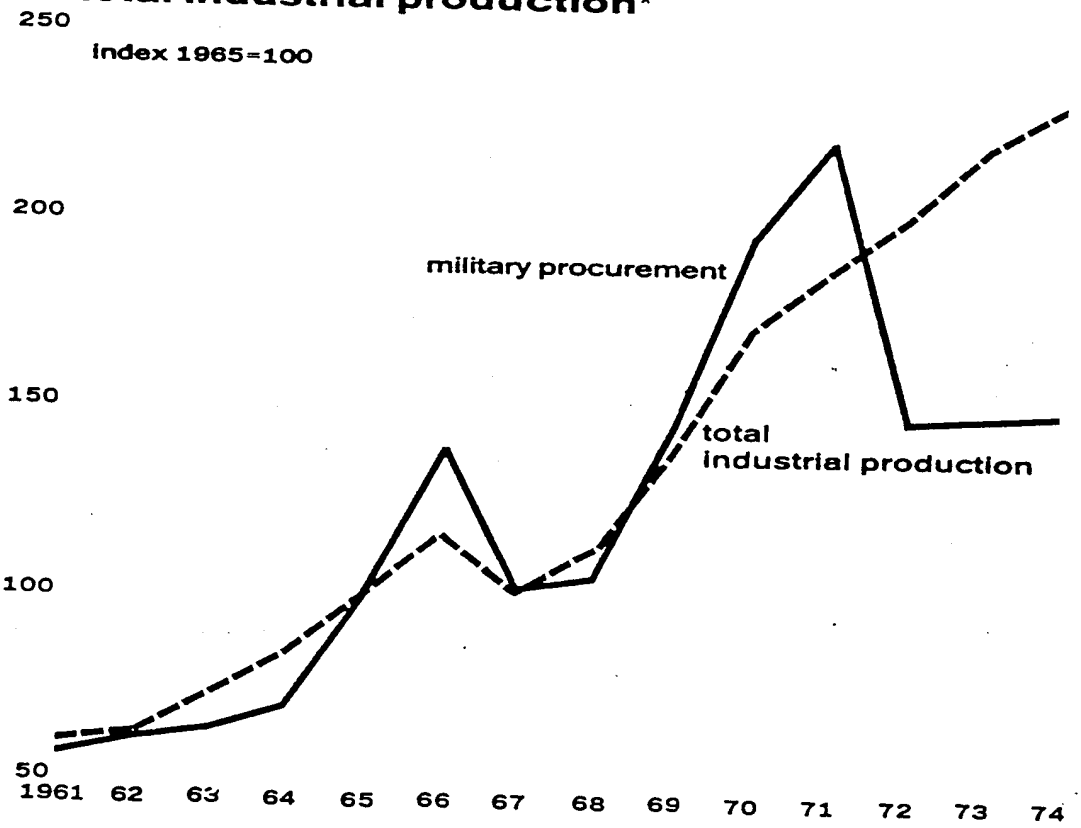
Two factors suggest that the lower levels of military procurement represent a pronounced departure from previous military policy and strategic planning in China. First, Peking has expended an enormous amount of resources since the late fifties to develop new facilities for producing weapon-grade nuclear materials. The size of these facilities, which are reaching operational status, suggests that Peking previously had an ambitious plan to develop a substantial arsenal of nuclear weapons. Now, just as these facilities can support a much higher demand for nuclear weapons, it is apparent that the Chinese have slowed, rather than accelerated, the procurement of delivery vehicles. This strongly supports the interpretation that an earlier decision to push ahead rapidly in the advanced weapons field was subsequently modified. Second, the drop in procurement, occurring at a time of rising industrial production, dramatically altered the relationship between military procurement and industrial output that had prevailed in China since the early sixties. *(See graph at right.)*

In retrospect, the earlier deemphasis of military influence in the political sphere following the Cultural Revolution could be interpreted as the result of the PLA's return to soldiering, hence only an uncertain signal of change, but the sharp reduction in weapons procurement after 1971 appears more clearly to reflect a reassessment of military priorities.

New Perception of External Forces

From the Chinese perspective, the outside world in the seventies must appear very different from that

China's military procurement and total industrial production*



*The indicated level of military procurement in 1974 is based on preliminary data.

Note: Because of methodological differences in the preparation of data for military procurement and total industrial production, this chart should be treated as a general representation of trends and not as an exact comparison.

of the sixties. This difference first began to materialize in 1969 with the serious Sino-Soviet border confrontation and President Nixon's pronouncement of the Guam Doctrine. By 1971 both the Soviets and the Chinese had shifted substantial numbers of military units to the border areas. In contrast, the outlines of a Sino-American rapprochement had been unveiled in the Sino-US talks in Warsaw and the Kissinger trip to Peking to plan the China visit of the President. China's admission to the United Nations and the Shanghai Communique ended Peking's isolation and relegated Taipei to the diplomatic sidelines. The cease-fire in Indochina and the beginnings of a US military withdrawal from Asia helped to promote the Sino-US detente.

These developments suggest that from 1969 onward there was a growing need for the Chinese to reassess their policies. [redacted] In the course of the ensuing policy reviews, Peking apparently determined to use the Sino-US detente as a counterweight to the Soviet threat--nuclear or conventional. Adoption of such a strategy would open up a wide range of policy options, both economic and military.

The Chinese leadership could well feel confident in an assessment of this type. They had created by 1971 a retaliatory nuclear capability ready for use against the USSR, although capable of striking targets only in eastern Siberia. Some 11 or 12 operational missile sites were deployed in the northeast quadrant of China. These were supplemented by a force of 30 TU-16 bombers. Peking could rightly figure that the likelihood of a Soviet surgical strike against China's nuclear facilities had been greatly reduced. Moreover, the Chinese probably believed that the newly positioned ground forces in the northern military regions could defend against any conceivable Soviet conventional invasion force. Lastly, the traditional Soviet concern for Europe remained a factor constraining the scope of Soviet

actions in relation to China. Thus China's leadership could conclude that the times allowed some reduction in direct military expenditures.

Political, Budgetary, and Other Factors

The internal power equation in China today also differs greatly from that of the sixties. Lin Piao, former minister of defense and designated successor to Mao, died in September 1971 [redacted] Several of Lin's close associates fell with him, including the PLA chief of staff, the head of the air force, and the political commissar of the navy. Military representation on the Central Committee has also dropped appreciably. By the end of 1973 the leadership was in a position to shift eight of China's 11 military region commanders to new regional commands, and in all cases to take away their most important provincial party and government posts. More recently, civilians were selected for the posts of PLA chief of staff and head of the General Political Department. With diminished authority in the regions and at the center, the military establishment has clearly lost the preeminent position it enjoyed in the post - Cultural Revolution period and probably exerts less influence today in policymaking.

There is a striking temporal correlation between the fall of Lin Piao in 1971 and the manifestations of a slowdown in arms procurement. The fact that China's air arm has been heavily affected by this new policy is probably also significant, as the air force was implicated in the Lin "coup."

These circumstances suggest three conclusions which, [redacted] are logically consistent with the evidence at hand:

-- Full implementation of the new policy probably required the removal of Lin's proteges from the political scene.

-- The fact that efforts to reduce the military's influence began in 1969 but gathered steam later on strongly suggests that military elements which had coalesced around Lin resisted the move toward a reduced political role for the PLA. Controversy over this move may have been a factor in bringing the Lin crisis to a head.

-- China's arms procurement policy since 1971 suggests that, in some areas at least, an element of retaliation against segments of the military establishment considered politically unreliable has been at work.

If some military elements resisted the change to a slower rate of military buildup, they may have done so not only on strictly military grounds but also because control of a large share of China's economic resources obviously gave the PLA additional political muscle. Conversely, China's civilian leaders probably believed not only that a change in military policy was consistent with China's new international position, but also that by restricting the military budget the political influence of the military establishment could be curbed as well. Arguments along these lines may not yet have died away completely; recent propaganda suggests that China's civilian leaders still find it necessary to assert the correctness of the present division of resources.

In a wider sense, the high costs of, and competition for, resources--both skilled manpower and materials--also supported a policy change. The recent Chinese emphasis on developing agriculture and civilian industry bears this out. The Chinese, moreover, are purchasing industrial equipment--especially fertilizer, petroleum extraction, petrochemical, and steel plants--from the technologically advanced nations of the Free World.

The germination of this import program seems to have paralleled the transition to a new military policy and may have been an early reflection of the

reassessment of priorities. In 1972-1973 alone, the known value of industrial plants purchased abroad amounted to 1.2 billion US dollars. These facilities will eventually draw on some of the same resources as does weapons production, hence long-range planning for resource allocations must have had some role in the reduction of weapons procurement.

The obsolescence of China's military equipment then being produced also may have supported arguments for a reduction of procurement. Most Chinese weapon systems are based on Soviet designs of the mid-fifties. Technological problems may account in part for the nonappearance of new weapon systems. Scientific and technological training, which was disrupted during the Cultural Revolution, still has not fully recovered, [redacted] Some weapon development programs are under way--new fighter and amphibious aircraft, [redacted] In each case, however, the development has been under way for some time and the pace of the program seems unhurried and deliberate, [redacted]

In sum, it appears likely that Peking's current policy is based on the belief that detente and deterrence have together eased the threat to China from either superpower. Peking appears to presume that the USSR would not wish to initiate a nuclear attack against China because of the unknown degree of retaliation from China's surviving strategic forces and the fear of a US reaction. [redacted] To discourage a conventional attack, the Chinese clearly expect to maintain their large military forces. Finally, the Chinese have launched a propaganda campaign to depict themselves as a lesser military concern to the USSR than are the US and its NATO allies. They have warned the Western nations that the USSR is "making a feint in the East while attacking in the West."

Under these circumstances, China's leaders probably feel that some slowdown of defense procurement--particularly in strategic weapons--will not materially endanger national security. The resources thus saved can eventually be used to strengthen China's civilian economy--an important strategic factor in its own right.

Implications of Current Military Policy

Apparently we are now seeing some results of a basic reassessment of China's foreign and military policies that will have long-term effects. The strategic "use" of the US to counter the USSR appears to be a basic policy goal of a China that now seems committed to a more deliberate buildup of arms and poses no direct military threat to the US, at least through the remainder of this decade. Furthermore, Peking's new policy of procuring strategic weapons more slowly than previously planned could diminish the relative significance of the Chinese threat in Soviet military planning. China's civilian leaders--Mao in particular--may believe, in fact, that the current slow rate of deployment of strategic weapons will keep Soviet anxieties about the threat from China well below the flash point. This in turn makes it possible to maintain Sino-Soviet *political* tension at a high level without undue risk of war. This cautious approach to the problem of missile deployment turns Lin Piao's [redacted] argument--that political tensions with Moscow must be reduced while procurement of strategic arms presumably goes ahead at full speed --on its head.

Indeed, there is diminishing substance to the Soviets' argument that they face a serious buildup of forces in the East, as the Chinese will be in no position to initiate hostilities against the USSR for some years to come. But neither will the Chinese abandon their territorial claims and their avowals of political orthodoxy in the world Communist movement. They will continue to maintain a vigilant military posture along the border. Sino-Soviet differences--particularly over the issues of territory and orthodoxy--are not directly involved in the

present slowdown of weapons procurement. Tacitly, however, such a slowdown could work to ease the tensions in Sino-Soviet relations after Mao's departure.

Despite a policy of restricting military procurement, China continues to improve and modernize its forces and is determined to remain a dominant military power in eastern Asia. Because the success of the present policy would be best assured by restraint on its part, however, China's attitude toward its Asian neighbors will probably continue to be cautious. As its forces expand and improve--even with the slowdown, China's growing naval prowess is noteworthy--we should anticipate a more forward posture in relation to areas considered to be Chinese territory. Traditionally, these areas include large portions of the South and East China Seas, Taiwan, and certain disputed border territories along China's southern border. We can expect the Chinese to undertake certain low-risk military actions--for example, that in the Paracels in early 1974--for moderate gains.

China's decision to shift resources to civilian industries appears to constitute a long-term commitment that cannot readily be reversed. China is unlikely to stop plant importation in mid-stage or to adopt foreign or military policies that would endanger that program and the dividends it promises. Meanwhile, some existing weapon plants cannot easily increase production without a lengthy start-up period; [redacted] On the other hand, production programs for such general purpose force weapon systems as fighter aircraft, tanks, and armored personnel carriers could almost certainly be increased significantly in a relatively short period--perhaps less than a year. This capability was illustrated in the high production rates achieved in the aftermath of the Cultural Revolution. As time goes by, however, an upsurge in programs to produce obsolescent weapon systems becomes less likely.

[redacted]

In general, it seems likely that progress in military research and development will continue at a relatively slow pace over the foreseeable future.

The present general ordering of military versus civilian priorities probably will persist through this decade even if Mao passes from the scene. This is because the most important bases of this ordering--the cost and difficulty of a more ambitious strategic weapons effort and the urgency of China's need to modernize and increase its agricultural and industrial production capacity--will continue to be controlling factors through this decade and beyond. Because China has a population about four times that of the US, even the projection of a conservative 2 percent annual growth in population means that China must be prepared to feed, house, and clothe an additional 200 million people within the next decade. This challenge is the greater because of the relatively small industrial base and because China has only about half as much arable land as that available in the US.

In future Chinese reassessments of military policy, however, international considerations will undoubtedly remain a predominant factor. So long as the status quo is preserved--with China facing no other military rivals except a nonthreatening US and an intransigent USSR--there is a high likelihood that China's policy of restricting weapons procurement in favor of industrial development will continue. Major changes in the status quo, however--such as a resurgent, rearmed Japan or a belligerent, nuclear-armed India--could induce the Chinese to divert resources once again toward the development and production of weapons.

Annex

An Alternative Interpretation

The alternative view presented in this annex--one shared by DIA as well as by some CIA analysts--is that the Chinese did not institute basic changes in military and foreign policy in the early seventies. The dissenters believe the data at hand do not indicate that the long-range goals represented in the military policy of China's leaders have changed significantly. Neither do they believe that China's foreign policy now views a wary detente with the US as necessarily a long-term factor in the Sino-Soviet power balance.

Grounds for Dissent. The more general grounds of the dissenting view include a timing problem caused by the dating--implicit in this paper--of critical decision points. For example, it is entirely possible that Lin Piao was in no position to influence events in China after the fall of 1970. Yet the preceding analysis suggests that changes in military production goals could not be made until after his death in the fall of 1971. Perhaps more to the point, however, is the fact that it is difficult to place a reasonably definite date on the alleged policy changes. In any event, 1969 seems early for any major shift, whereas 1972, as indicated, could postdate Lin Piao's loss of influence by as much as two years.

From the more particular standpoint of military analysis, the lower levels of weapon procurement noted since 1971 do not appear to represent the end result of a significant change in military policy. Reduced hardware procurement has been almost entirely the result of Peking's terminating or drastically cutting back production in four aircraft programs. These program cuts account for about 80 percent of total procurement savings. In particular, it is the drop in one--the MIG-19 program--[redacted] that provides the cornerstone of the assertion that the Chinese have shifted military priorities.

Aircraft Issue. There are two major problems in citing the drop in aircraft production as indicative of an across-the-board trend. First, all the aircraft cut back are of 1950s design--not obsolete, but inadequate by modern standards. In the case of an immediate threat, such as that perceived from the Soviet Union in the early seventies, the Chinese would logically have emphasized production of military equipment that could be quickly added to the inventory. As the threat, or perceived threat, of imminent attack receded, however, so too would the impetus to produce out-of-date equipment. The Chinese, moreover, now have what they may well consider to be an adequate inventory of MIG-19s [redacted] and are making at least some effort to design and produce more modern aircraft. Admittedly the program is slow [redacted]

Second, the Chinese are still building aircraft at all but one of their plants, although production has tapered off at each. Thus they retain the potential for expansion of production at any time.

Other Programs. Savings achieved by possible reduction of other programs probably have been economically insignificant--for example, the armored personnel carrier program. [redacted]

On balance, the current status of Peking's military development and production programs permits the

continuing buildup of most conventional armaments along well established lines and at peak rates achieved in 1971. This is a reasonable course in view of what appears to be a continuing though slow growth in the size of the army.

[redacted]

Finally, reduction or near termination of production programs could not retrieve much of the investment costs embodied in military plants or release much highly specialized equipment and human talent for use in the civilian sector. Nor does it constitute a commitment against speedily reinstituting production of military equipment in available, if only partially active, military-industrial facilities.